



Piloting an Internship Programme for Young Ethiopian Entrepreneurs

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Can internship programmes provide young entrepreneurs with valuable experiential learning on successful management practices? This pilot study confirms the viability of such a programme in promoting 'learning by doing', and builds the foundation for a full-scale internship experiment beginning in 2015.

Project Design

Experiments to teach existing entrepreneurs to improve their management skills have met with limited success and have proved expensive, either in terms of advising costs or in terms of complementary capital¹. Evidence from high and middle income countries suggests that many high productivity enterprises are spun off by former employees of larger firms². When there already exist a large number of efficiently run large firms and organisations, this is probably sufficient. Not so in Low-Income Countries (LICs), where such organisations are few and far between. To speed up the learning process in an LIC, we have developed an internship model intended to expose a significant number of young educated individuals to the managerial realities of medium and large scale for-profit organisations. We piloted this model in Addis Ababa, Ethiopia, in 2012, and have used the results to develop a full-scale experiment to be conducted in 2015.

The pilot program was organised in three waves. In each wave, we inducted about 20 young people through a one-day training session introducing the purpose and expectations of the internship. Each selected participant was offered the opportunity to spend four weeks working as an intern in a firm. During the internship, participating firm managers spent time discussing firm operations with the intern, and had the option to have the intern assist in management-related tasks (for example, in reviewing draft accounts, assessing new marketing opportunities, etc). This was intended to provide an opportunity for young entrepreneurs to 'learn by doing' – to see management techniques in their practical implemental, rather than merely studying them in the abstract. Each young person was offered 1,500 birr (about US\$80) as remuneration for expenses. Each participating firm received 10,000 birr in total (about US\$550), paid if either one or both of its assigned interns started the internship.

Matching Firms and Interns

Participants were matched, in pairs, with 10 participating firms. We implemented a Roth-style stable matching algorithm in the pilot³. This is a methodological innovation in the implementation of Randomized Control Trials (RCTs), and something that could be used in a wide variety of contexts in which researchers want to allow for purposive matching, but nonetheless retain a valid control sample.

The algorithm performed well, in three ways. First, it was logistically manageable: firms and interns were willing to complete the required rankings, and the algorithm ran correctly. Second, firms and interns seemed to trust the algorithm, and to understand that they should record their rankings accurately (that is, that the algorithm does not make 'strategic ranking' worthwhile). Third, the algorithm produced reasonably good matches: 70% of interns were placed in one of their 'top three' ranked firms, and 65% of firms received one of their 'top three' ranked interns (with 20% of firms receiving both interns from their 'top five' ranking).

Outcome of the Internships

We inducted 57 interns in total. Of these, 34 (60%) took up the internship. Of the 23 interns who were inducted but did not take up the internship, 20 were contactable. Of these 20, three said that they consider themselves over-qualified, three complained that the remuneration was inadequate (particularly given transport costs), two blamed health problems (one

¹ E.g. Bloom, Nicholas, Eifert, Benn, Mahajan, Aprajit Mahajan, David McKenzie, and John Roberts. 2013. "Does Management Matter? Evidence from India", *Quarterly Journal of Economics* 128, pp. 1-51; Berge, Lars Ivar O., Bjorvatn, Kjetil, Juniwaty, Kartika Sari, and Tungodden, Bertil. 2013. "Business Training in Tanzania: From Research Driven Experiment to Local Implementation", *Journal of African Economies*, 21(5), pp. 808-827.

² E.g., Muendler, Marc, and Rauch, James. 2012. "Mobilising Social Capital Through Employee Spinoffs", *NBER Working Paper No. 18459*, October 2012.

³ Roth, Alvin. 1984. "Stability and Polarization of Interests in Job Matching", *Econometrica* 52, pp. 47-57.



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personal, one family), two explained that existing employers would not grant permissions, and one explained that he had just found a new job. The remaining respondents did not give clear reasons for their non-participation.

Of the 34 individuals who started the internship, 31 stayed until the end of the four week programme. According to the host firms, of the 31 who completed the internship, 23 worked for four or more days per week, and 24 spent at least five hours per day in the firm (with 19 spending eight hours or more). Of those 31, 22 spent at least half of their time working in close collaboration with the firm's management team; eight spent at least a quarter of their time idle (waiting for instructions). Intern tasks appear to have been quite diverse: firms report that 80% of interns spent at least some time performing production tasks; 35% spent time supervising production workers; half spent time planning the production process; three-quarters spent time dealing with customers; one-third spent time dealing with suppliers; and half spent time planning marketing. Among the 31 interns who completed the programme, 29 considered that the internship will help them to start their own business (17 agreed that the experience would also help them to find a wage job). 30 were glad to have participated, and 29 would recommend the internship programme to a friend. This was despite the fact that 10 of those 31 were initially dissatisfied with their placement. In sum – the internship programme was well received by those who chose to participate, but compliance was lower than we had anticipated.

Implications for Policy

Our pilot generated several preliminary policy implications:

- (i) It is viable to implement internship programmes as a means of providing practical insight to aspiring entrepreneurs on successful management practices. A Roth-style matching algorithm is an important component for implementing such a programme.
- (ii) Demand for such programmes is likely to be quite heterogeneous; we should not expect universal take-up.
- (iii) However, among those choosing to participate, perceptions of the programme are likely to be very positive.

This pilot and the coming full-scale experiment will also contribute directly to understanding several important questions. First, how do entrepreneurial skills develop in LICs? Recent research highlights the difficulties of teaching entrepreneurial skills in a classroom context⁴. We hypothesise that, like riding a bicycle, many critical entrepreneurial skills can be learned only through experience, including by the experience of observing and participating. Second, how important are personal connections for finding jobs in developing economies? Our internship programme is designed to build entrepreneurial and managerial skills – but some interns will likely also use the experience to access business networks in search of a wage job. Third, are internships a viable policy intervention in Low Income Countries? Internships are a widespread institution in most developed economies, where they are generally seen as an important way for young people to learn about the workplace and for firms to screen potential employees. However, internships have traditionally been much less common in Low Income Countries. Our experiment uses a simple and innovative design that could be implemented directly by government agencies in Low Income Countries as a mechanism for building entrepreneurial skills and improving young people's access to the job market.

Moving Forward...

Following the success of this pilot experiment, we designed a full-scale Randomised Controlled Trial, to test the specific mechanisms by which internships operate – and, in doing so, to learn more about the viability of internships as a mechanism for encouraging entrepreneurship in developing economies.

Each week for 30 weeks, we will randomly assign about 25 young Ethiopians to internships in established firms. Each internship will last for one month, during which each intern will be closely involved in management tasks. We hypothesise that internships can serve as a mechanism to help young Ethiopians develop managerial and entrepreneurial skills – skills that are often impossible to teach directly, but that can be learned by observation and participation. We will test whether an internship improves the employment prospects of young educated Ethiopians.

⁴ McKenzie, David and Woodruff, Christopher. 2014. "What are we Learning from Business Training and Entrepreneurship Evaluations Around the Developing World?", *The World Bank Research Observer* 29(1), pp. 48-52.